

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 ONY-00 SS-15 /030 W
-----080912 071636Z /40
P 061942Z DEC 77
FM AMEMBASSY NASSAU
TO SECSTATE WASHDC PRIORITY 132

C O N F I D E N T I A L SECTION 1 OF 5 NASSAU 1917

FOR ARA MR. JOHN KEANE

ARA/CAR MR. ASHLEY HEWITT

NO OTHER DISTRIBUTION

E.O. 11652: GDS
TAGS: MARR, PGOV, ECON, EFIN, EAID, EFIS, EGEN, BF
SUBJ: MEMORANDUM OF CONVERSATION DRAFT

FOLLOWING FOR YOUR APPROVAL IS UNCLEARED MEMCON OF AMBASSADOR
TODMAN'S MEETING WITH PRIME MINISTER PINDLING AND MINISTER
EXTERNAL AFFAIRS ADDERLEY ON FRIDAY, DECEMBER 2, 1977.

MEMORANDUM OF CONVERSATION

DATE: DECEMBER 3, 1977-QQCEP AM

PARTICIPANTS: BAHAMIAN - PRIME MINISTER LYNDEN O. PINDLING
MR. PAUL ADDERLEY, MINISTER OF
EXTERNAL AFFAIRS
AMBASSADOR LIVINGSTON JOHNSTON,
BAHAMAS AMBASSADOR TO THE US, UN
MR. RODNEY BAIN, SECRETARY TO THE
CABINET
MR. ORIS RUSSELL, PERMANENT SECRETARY
MINISTRY OF EXTERNAL AFFAIRS

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AMERICAN - AMBASSADOR TERENCE TODMAN
AMBASSADOR WILLIAM B. SCHWARTZ, JR.
MR. WILLIAM DOZIER, CARIBBEAN TASK FORCE
MR. ASHLEY HEWITT, COUNTRY DIRECTOR, CAR
MR. RUSH TAYLOR, DEPUTY CHIEF OF MISSION
MR. JOHN GARNER, ECONOMIC OFFICER

PLACE: PRIME MINISTER'S OFFICE, NASSAU, BAHAMAS

PART I OF X PARTS

FACILITIES NEGOTIATIONS

PRIME MINISTER PINDLING BEGAN THE MEETING (WHICH GOT UNDERWAY THIRTY MINUTES LATE) BY WELCOMING AMBASSADOR TODMAN TO THE BAHAMAS AND THANKING HIM FOR STOPPING OVER EVEN IF ONLY BRIEFLY. THE PRIME MINISTER EXPRESSED HOPE THAT IN 1978 OUR TWO GOVERNMENTS COULD PUT BEHIND THEM SOME, IF NOT NECESSARILY ALL, OF THE OUTSTANDING PROBLEMS WHICH FACED US. THESE INCLUDED: AN ADDITIONAL U.S. CARRIER ON THE NEW YORK TO NASSAU RUN; ACTION BY CONGRESS TO AMEND THE TAX ACT OF 1976 WITH REGARD TO INCOME TAX DEDUCTIONS FOR ATTENDING OFF SHORE CONVENTIONS AND TO PASS LEGISLATION TO RAISE THE AMOUNT OF DUTY FREE PURCHASES ABROAD; AGREEMENT ON A MEDIAN LINE FOR FISHERIES AND ECONOMIC ZONES; AND A FACILITIES AGREEMENT. ACCORDING TO THE PRIME MINISTER HE HOPED TO REACH A FACILITIES AGREEMENT PRIOR TO JUNE 30, 1978 AS TO POSTPONE IT FURTHER HE JOKINGLY CONTINUED WOULD GIVE RISE TO ALLEGATIONS THAT HE "WAS MAKING SOME SECRET DEAL WITH THE RUSSIANS," ALLEGATIONS WHICH WOULD BE EMBARRASSING AND DIFFICULT TO DISPELL.

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MINISTER EXTERNAL AFFAIRS ADDERLEY INTERJECTED THAT ONLY A YEAR AGO A MEMBER OF HIS STAFF, GEORGE STEWART, HAD BEEN APPROACHED BY A MEMBER OF THE RUSSIAN DELEGATION AT THE LOS CONFERENCE WITH THE QUERY OF "WHAT WAS THE PROBLEM BETWEEN THE BAHAMAS AND THE AMERICANS OVER THE BASES THAT HAD PREVENTED REACHING AN AGREEMENT,"

AMBASSADOR TODMAN RESPONDED BY THANKING THE PRIME MINISTER FOR THE WARM WELCOME HE HAD RECEIVED. HE CONTINUED THAT HIS STOPOVER IN NASSAU WAS NO ACCIDENT BUT RATHER IT WAS THE SIGN OF HIS REAL AND SINCERE DESIRE TO DO MORE TO STRENGTHEN THE RELATIONS BETWEEN OUR TWO COUNTRIES. HE STATED THAT PRESIDENT CARTER HAD BEEN MOST IMPRESSED WITH THE PRIME MINISTER AT THEIR MEETING IN SEPTEMBER AT THE PANAMA CANAL TREATY SIGNING CEREMONIES AND THAT THE PRESIDENT HAD RECOGNIZED THE IMPORTANCE OF THE VARIOUS ISSUES RAISED BY THE BAHAMIAN GOVERNMENT AT THAT MEETING. AS THE PRIME MINISTER WAS AWARE, THE PRESIDENT HAD ISSUED INSTRUCTIONS AT THAT TIME ON FOLLOW-UP ACTIONS WHICH SHOULD BE TAKEN AND EXPRESSED THE INTENTION TO DO EVERYTHING WE COULD TO STRENGTHEN THE TIES OF FRIENDSHIP BETWEEN OUR TWO NATIONS. AMBASSADOR TODMAN ASSURED THE PRIME MINISTER THAT IT WAS NOT OUR INTENTION TO TAKE OR APPEAR TO TAKE THE BAHAMAS FOR GRANTED AND THAT WE LOOKED FORWARD TO FRANK AND CANDID CONVERSATIONS WHICH WOULD LEAD TO THE RESOLUTION OF THE BILATERAL PROBLEMS WHICH EXISTED BETWEEN US AND THAT RESOLUTION WOULD BE IN THE SPIRIT OF FAIRNESS AND BENEFIT TO BOTH SIDES.

AMBASSADOR TODMAN EXPRESSED APPRECIATION FOR THE PRIME MINISTER'S INTENTION TO BEGIN DISCUSSIONS ON FACILITIES AND EXPRESSED OUR OWN WILLINGNESS TO INITIATE A DIALOGUE.

MINISTER OF EXTERNAL AFFAIRS ADDERLEY COMMENTED THAT IT WOULD BE NECESSARY TO GRANT ANOTHER SIX MONTHS EXTENSION ON OPERATING RIGHTS AT THE BASES. IN THE MEANTIME, HOWEVER, HE PROPOSED THE EARLY RESUMPTION OF NEGOTIATIONS. HE SUGGESTED
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THAT THEY NOT BE TIED TO THE EXCHANGING OF LETTERS, NOTES AND OTHER WRITTEN COMMUNICATION BUT RATHER TAKE THE FORM OF AN INFORMAL DIALOGUE. IT WAS MINISTER ADDERLEY'S EXPERIENCE THAT WRITTEN EXCHANGES OFTEN TENDED TO FIX POSITIONS TOO EARLY ON AND IMPEDED FLEXIBILITY. HE RECALLED HIS CONVERSATION WITH AMBASSADOR SCHWARTZ ON NOVEMBER 21 IN WHICH HE SET FORTH HIS VIEWS ON WHAT HIS GOVERNMENT WISHED TO RECEIVE IN EXCHANGE FOR CONTINUED U.S. USE OF THE FACILITIES. HE POINTED OUT THAT AMBASSADOR SCHWARTZ "HAD NOT BEEN IN A POSITION TO COMMENT ON THE CONCEPT OF SOME FORM OF BILATERAL ECONOMIC ASSISTANCE IN EXCHANGE FOR BASE RIGHTS." RECALLING HIS PARTICIPATION IN THE MEETING BETWEEN PRESIDENT CARTER AND PRIME MINISTER PINDLING, MINISTER ADDERLEY WENT ON TO SAY THAT AT THAT MEETING THE PRESIDENT HAD INDICATED THE DIFFICULTIES OF EQUATING ECONOMIC ASSISTANCE AS OPPOSED TO A LEASE RENTAL TO OBTAINING BASE RIGHTS. NEVERTHELESS, THE MINISTER FELT THAT THERE WERE, AFTER ALL, CERTAIN PRECEDENTS IN WHICH AGREEMENTS HAD BEEN REACHED FOR THE USE OF MILITARY BASES WHICH INVOLVED THE GRANTING OF ECONOMIC ASSISTANCE, IN ADDITION TO RENT FOR BASE RIGHTS. HE FELT THAT GIVEN THOSE PRECEDENTS IT WOULD ONLY BE FAIR FOR THE BAHAMAS TO BE CONSIDERED IN THE SAME OR SIMILAR CONTEXT. WHAT HIS GOVERNMENT WAS INTERESTED IN AND WHAT IT WANTED ACCORDING TO MINISTER ADDERLEY WAS "NOT GIFTS OR GRANTS, NOT MILITARY HARDWARE, NOT GUNS OR BULLETS BUT REALISTIC ECONOMIC DEVELOPMENT ASSISTANCE."

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ACTION ARA-14

INFO OCT-01 ISO-00 ONY-00 SS-15 /030 W
-----082236 071823Z /43

P 061942Z DEC 77
FM AMEMBASSY NASSAU
TO SECSTATE WASHDC PRIORITY 133

C O N F I D E N T I A L SECTION 2 OF 5 NASSAU 1917

FOR ARA FOR MR. JOHN KEANE

ARA/CAR MR. SHLEY HEWITT

NO OTHER DISTRIBUTION

AMBASSADOR TODMAN RESPONDED THAT THE PRESENT ADMINISTRATION WAS NOT TIED TO THE POLICIES OF ITS PREDECESSORS AND WISHED TO AVOID A REPETITION OF THE PAST. HE EXPLAINED THAT THE PRESENT ADMINISTRATION HAD FORMULATED A DIFFERENT APPROACH TO SUCH NEGOTIATIONS. THIS WAS ESSENTIALLY TO BE FAIR AND GENEROUS IN ARRIVING AT A MONETARY FIGURE FOR ACTUAL BASE RENTALS, TO SEPARATE BASE RENTALS FROM ECONOMIC DEVELOPMENT PROGRAMS AND TO DEAL WITH THE LATTER ON THEIR OWN MERITS WITHOUT REGARD TO FACILITIES.

AMBASSADOR TODMAN CONTINUED BY SAYING THAT IN THE LENGTHY NEGOTIATIONS LEADING UP TO THE PANAMA CANAL TREATIES THERE HAD BEEN SERIOUS EFFORTS TO LINK ECONOMIC DEVELOPMENT ASSISTANCE WITH THE FACILITIES THERE. DESPITE THE EXTREME IMPORTANCE WE ATTACH TO THE NEGOTIATIONS, OF WHICH THE BAHAMIANS ARE FULLY AWARE, WE HAD WITHSTOOD CONSIDERABLE PRESSURE FOR LINKAGE AND HAD MAINTAINED THAT STANCE THROUGHOUT THE NEGOTIATIONS. IT WAS TRUE THAT WE HAD FORMULATED AND AGREED ON AN ECONOMIC ASSISTANCE PACKAGE FOR PANAMA, BUT IT WAS NOT LINKED TO THE FACILITIES AND THERE WAS A COINCIDENCE IN TIMING ON THE APPROVAL OF THE TWO ITEMS.
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AMBASSADOR TODMAN UNDERLINED THAT ANYONE WHO WAS ACQUAINTED WITH THE NEGOTIATIONS KNEW THAT THEY WERE DISCUSSED APART AND CONCLUDED APART.

AMBASSADOR TODMAN CONTINUED THAT THE SPANISH BASE AGREEMENTS WERE CONCLUDED IN A MANNER AND HISTORICAL CONTEXT WHICH WAS NO LONGER APPLICABLE, AND THAT WE HAD MOVED AWAY FROM THAT APPROACH. HE NOTED THE REASONS FOR THIS CHANGE, MENTIONING CONGRESSIONAL ATTITUDES AND RESTRICTIONS AS WELL AS A DESIRE BY BOTH THE EXECUTIVE AND LEGISLATIVE BRANCHES TO CONSIDER AND DEAL WITH ECONOMIC DEVELOPMENT ASSISTANCE ON ITS OWN MERITS.

HE THEN ASKED IF THE BAHAMIANS COULD BE MORE SPECIFIC ON WHEN DISCUSSIONS MIGHT BE RESUMED, AND WAS INFORMED BY THE PRIME MINISTER THAT THEY WOULD BE AMENABLE TO "GETTING STARTED ANYTIME AFTER MONDAY JANUARY NINTH."

AMBASSADOR TODMAN UNDETOOK TO GET TOGETHER A NEGOTIATING TEAM AS SOON AS POSSIBLE NOTING OUR DESIRE TO HAVE SUFFICIENT TIME TO ACCOMPLISH THE NEGOTIATIONS.

MINISTER ADDERLEY ALLUDED TO THE EARLIER DISCUSSIONS OF THE NEED TO SEPARATE BASE RENTAL FROM BILATERAL ECONOMIC DEVELOPMENT ASSISTANCE AND STATED THAT HE UNDERSTOOD BOTH

THE PROPOSITION ITSELF AND THE REASONS THEREFOR. HE SAID THAT HE "DID NOT MIND UNDER WHAT NAME IT CAME, OR CARE WHICH TIME OF DAY IT WAS," HE WISHED TO SAY THAT HIS GOVERNMENT WAS "NOT ABANDONING BILATERAL ECONOMIC ASSISTANCE AS CONSIDERATIONS FOR THE BASES." AS FAR AS HE WAS CONCERNED "THERE COULD BE ALTERNATE AGREEMENTS, ONE ON BASES, ONE ON ASSISTANCE." HE WAS NOT INTERESTED IN "THIS QUESTION OF SEMANTICS, WHETHER IT WAS A DIFFERENT POLICY OR WHETHER

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IT WAS A NEW POLICY," AND HE REITERATED THAT THE GCOB WAS "NOT ABANDONING ECONOMIC ASSISTANCE CONSIDERATIONS."

AMBASSADOR TODMAN NOTED THAT IT WOULD BE USEFUL TO DISCUSS THE VARIOUS KINDS OF ECONOMIC ASSISTANCE PROGRAMS AVAILABLE. HE SUGGESTED THAT THE MINISTRY OF EXTERNAL AFFAIRS TOGETHER WITH EMBASSY NASSAU BEGIN TALKING IN SPECIFICS WITH REGARD TO WHAT PROGRAMS THE BAHAMIAN GOVERNMENT HAD IN MIND AND WISHED TO PURSUE, NOTING THAT DR. MADDEN OF AID SHOULD BE A PARTICIPANT IN THESE DISCUSSIONS. AT THE SAME TIME AMBASSADOR TODMAN REPEATED THAT WE WOULD BE TALKING ABOUT TWO DIFFERENT SUBJECT: 1. A LEASE FOR THE FACILITIES; AND 2. AN ECONOMICS ARRANGEMENT. MINISTER ADDERLEY REPEATED THAT HE HAD "NO PROBLEMS WITH SEPARATION". AT THE SAME TIME HE WISHED TO MAKE IT CLEAR THAT "BEFORE A LEASE ARRANGEMENT IS CONCLUDED THERE MUST BE AGREEMENT ON AN ECONOMIC PACKAGE."

AMBASSADOR TODMAN AGAIN POINTED OUT THE NEED FOR THE GCOB TO DEVELOP AND PROPOSE THE SPECIFIC DEVELOPMENT PROGRAMS WHICH THEY HAD IN MIND.

AMBASSADOR SCHWARTZ STATED THAT IN ORDER TO INSURE AGAINST ANY POSSIBLE MISUNDERSTANDING HE WISHED TO REVIEW THE NOVEMBER 19 DISCUSSION AS WELL AS WHAT HAD BEEN SAID EARLIER. IT WAS HIS IMPRESSION FROM THIS PREVIOUS MEETING AND TODAY THAT:

1. WE WOULD BEGIN DISCUSSIONS ON BASE NEGOTIATIONS IN JANUARY WITH THE HOPE OF COMPLETING THEM IN A SIX-MONTH TIME FRAME;
2. CONCURRENTLY WE WOULD BE DISCUSSING AN ECONOMIC ASSISTANCE PACKAGE; 3. THE SIGNING OF THE LEASE AGREEMENT WOULD BE CONTINGENT ON REACHING A SATISFACTORY UNDERSTANDING ON THE ECONOMIC ASSISTANCE PACKAGE. MINISTER ADDERLEY LAUGHINGLY INTERJECTED THAT HE "WOULD NOT PUT IT AS STRONGLY AS THAT BUT ALMOST."

THE PRIME MINISTER ADDED THAT AS HE SAW IT THE TWO FACTORS WOULD BE SEPARATED BUT THAT BOTH ELEMENTS WERE TO

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BE CONCLUDED IN THE SAME TIME SPAN, THE BASES IN THE FIRST SIX, THE CONOMIC PACKAGE BEFORE JANUARY 1979. MINISTER

ADDERLEY AGREED NOTING THAT, "BEFORE THE FIRST ELEMENT COULD BE CONCLUDED THERE MUST BE A VERY CLEAR IDEA OF WHAT THE SECOND IS TO BE."

AMBASSADOR TODMAN POINTED OUT THAT IT MUST FIRST BE UNDERSTOOD THAT DIFFERENT PRINCIPLES WERE INVOLVED. THERE MUST BE FAIR AND JUST COMPENSATION FOR THE USE OF THE FACILITIES WHICH WOULD BE REFLECTED IN THE LEASE. ECONOMIC DEVELOPMENT ASSISTANCE WAS A SEPARATE AND DISTINCT MATTER, THE PURPOSE OF WHICH IS TO STRENGTHEN COOPERATION. WHEN ASKED BY THE PRIME MINISTER TO CLARIFY THE TIME SPAN INVOLVED BETWEEN REQUESTING AND RECEIVING ECONOMIC ASSISTANCE AMBASSADOR TODMAN RESPONDED THAT IT WAS IMPORTANT TO START DISCUSSIONS NOW BETWEEN THE TWO BUREAUCRACIES. THE GCOB MUST FORMULATE AND PROPOSE A PROGRAM OR PROGRAMS. THIS SHOULD BE DISCUSSED WITH THE EMBASSY AND AMBASSADOR SCHWARTZ AND THE EMBASSY SHOULD MAKE AVAILABLE RESOURCES TO THE GCOB FOR THAT PURPOSE. THE PROGRAM WOULD THEN BE REFERRED TO THE AGENCY OF INTERNATIONAL DEVELOPMENT WHERE IT WOULD HAVE TO BE STAFFED AND APPROVED. IT WOULD THEN NEED THE APPROVAL OF THE DEPARTMENT OF STATE. FINALLY, BUDGET DISCUSSIONS AND CONSIDERATIONS WOULD ELAPSE BEFORE ITS SUBMISSION TO CONGRESS FOR APPROVAL.

PRIME MINISTER PINDLING STATED THAT IT HAD BEEN HIS PREVIOUS UNDERSTANDING THAT THE BAHAMAS WAS INELIGIBLE FOR BILATERAL ECONOMIC ASSISTANCE AS IT FAILED TO MEET PRESENT CRITERIA. HE ASKED AMBASSADOR TODMAN IF THERE HAD BEEN SOME CHANGE OR THE CREATION OF SOME NEW CATEGORY OF ECONOMIC ASSISTANCE. AMBASSADOR TODMAN RESPONDED BY POINTING OUT THE ADMINISTRATION'S ANNOUNCED DESIRE OF HELPING NOT ONLY

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THE POOREST COUNTRIES BUT OF HELPING THE POOREST IN ALL OUR COUNTRIES. HE THEN OUTLINED BRIEFLY A "MIDDLE INCOME STRATEGY" WHICH WOULD BE A DIRECT EFFORT TO ASSIST MIDDLE INCOME NATIONS OR AREAS WHERE THERE IS AN OBVIOUS NEED. HE EXPLAINED THE POLICY FRAMEWORK OF THE PROPOSAL AND STATED THAT THE PAPERS WHICH OUTLINE IT WERE NOW ON THE DESK OF THE ADMINISTRATOR OF AID (GOVERNOR GILLIGAN) UNDERLINING THAT THE WHOLE CONCEPT WAS IN THE FORMATIVE STAGE. THE CONCEPT WAS NEVERTHELESS RECEIVING INCREASING SUPPORT IN WASHINGTON AND IT RECOGNIZED THAT THE RIGID CRITERIA OF PER CAPITA INCOME EXCLUDES COUNTRIES WITH REAL AND SERIOUS PROBLEMS. HOPEFULLY THE CONCEPT WOULD OFFER A MORE REALISTIC AND MEANINGFUL APPROACH TO BILATERAL ASSISTANCE

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ACTION ARA-14

INFO OCT-01 ISO-00 ONY-00 SS-15 /030 W

-----082257 071824Z /43

P 061942Z DEC 77

FM AMEMBASSY NASSAU

TO SECSTATE WASHDC PRIORITY 134

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FOR ARA MR. JOHN KEANE

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MINISTER ADDERLEY ASKED IF THE CONCEPT WOULD BE RESTRICTED ONLY TO THE TRADITIONAL AID CONTEXT OR IF IT WOULD BE WIDER. HE WAS TOLD BY AMBASSADOR TODMAN THAT IT COULD BE BROADER IN SCOPE AND INCLUDE THE FACILITATION OF CREDIT, AND EXIM BANK ASSISTANCE. U.S. PRIVATE INDUSTRY COULD ALSO PLAY A ROLE. AMBASSADOR TODMAN CONTINUED BY SAYING THAT OPIC AND THE HOUSING INVESTMENT GUARANTEE PROGRAM COULD ALSO BE INCLUDED. MINISTER ADDERLEY STATED THAT HE WAS UNFAMILIAR WITH THESE INSTITUTIONS AND THEIR CRITERIA AND WAS INFORMED BY AMBASSADOR TODMAN THAT AMBASSADOR SCHWARTZ AND THE EMBASSY STAFF WOULD BE DIRECTED TO OFFER ANY ASSISTANCE IN WORKING OUT A BILATERAL ASSISTANCE PACKAGE.

PRIME MINISTER PINDLING NOTED THAT THE UNDP'S ROLE OF PROVIDING TECHNICAL ASSISTANCE AND PARTICULARLY PROFESSIONAL EXPERTISE TO DEVELOPING COUNTRIES HAD BEEN MOST USEFUL. USING THE ANALOGY OF OBTAINING THE SERVICES OF A WATER ENGINEER WHOSE SALARY ON THE MARKET PLACE COULD NOT BE MATCHED BY A COUNTRY SUCH AS THE GCOB, HE WONDERED IF SIMILAR ASSISTANCE COULD BE FORTHCOMING UNDER THE NEW CONCEPT.

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AMBASSADOR TODMAN RESPONDED BY SAYING THAT SUCH ASSISTANCE WAS ALREADY OBTAINABLE FROM THE INTERNATIONAL EXECUTIVE SERVICE CORPS, A PRIVATE GROUP HEADED BY FRANK PACE, AND THE MODERNIZED PEACE CORP WHICH WAS A FAR DIFFERENT THING NOW THAN AT ITS INCEPTION. HE NOTED THE CHANGE IN PEACE CORPS RECRUITMENT AND THE POSSIBILITIES OF OBTAINING VOLUNTEERS WITH SPECIALIZED AND SOPHISTICATED SKILLS.

AMBASSADOR TODMAN CONCLUDED THIS PORTION OF THE CONVERSATION BY NOTING OUR INTEREST TO PROCEED WITH DISCUSSIONS IN JANUARY.

PART II OF X PARTS

INCREASE IN DUTY FREE ALLOWANCE

PRIME MINISTER PINDLING INQUIRED ABOUT THE STATUS OF LEGISLATION TO RAISE THE DUTY FREE ALLOWANCE OF GOODS PURCHASED ABROAD FROM ONE HUNDRED TO TWO HUNDRED AND FIFTY DOLLARS.

AMBASSADOR TODMAN STATED THAT THE LEGISLATION HAD PASSED THE HOUSE AND THAT WE EXPECTED SENATE ACTION EARLY NEXT YEAR. THE ADMINISTRATION SUPPORTS THE BILL AND WE ARE HOPEFUL CONCERNING ITS PASSAGE.

PART III OF X PARTS

CARIBBEAN CONSULTATIVE GROUP (CCG)

THE PRIME MINISTER ASKED ASSISTANT SECRETARY TODMAN TO TELL HIM SOMETHING MORE CONCERNING THE CCG. AMBASSADOR TODMAN REPLIED THAT THE CCG IS ONE OF THE MOST SIGNIFICANT CONFIDENTIAL

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MANIFESTATIONS OF INCREASING U.S. ATTENTION TO THE CARIBBEAN AREA -- AS OPPOSED TO PREVIOUS FOCUS ON LATIN AMERICA AS A WHOLE. WE ARE SEEKING A COMPREHENSIVE WAY TO INCREASE THE FLOW OF TOTAL RESOURCES TO THE CARIBBEAN. IF WE GO TO CONGRESS FOR REQUESTS FOR U.S. ECONOMIC ASSISTANCE, WE ARE ASKED WHO ELSE IS GIVING AID IN A PARTICULAR COUNTRY OR REGION. TO THE EXTENT THAT U.S. IS ABLE TO GET OTHER DONORS TO PARTICIPATE IN AID FUNDING, THE BETTER THE CHANCES ARE THAT U.S. AID REQUESTS WILL BE SUCCESSFUL.

THE PRIME MINISTER STATED THAT CCG IS DIFFERENT FROM ERIC WILLIAMS (TRINIDAD-TOBAGO) IDEA FOR A CONSULTATIVE GROUP ON JAMAICA IN THAT WILLIAMS SAW THE CG AS A BALANCE OF PAYMENTS PROBLEM WITH IMF PLAYING THE LEADERSHIP ROLE IN ASSURING THE MAXIMUM ECONOMIC BENEFIT THAT COULD BE EXPECTED IN JAMAICANS PARTICULAR ECONOMIC DIFFICULTIES.

AMBASSADOR TODMAN REPLIED YES, AND THAT WE CONSIDER THE CCG MORE THAN A BALANCE OF PAYMENT PROBLEM. WE VIEW IT AS A MECHANISM TO DEAL WITH STRUCTURAL AND DEVELOPMENTAL PROBLEMS AS WELL. WE ARE LOOKING TO THE CREATION OF A SOUND ECONOMIC BASIS WITHIN EACH COUNTRY AND THE REGION AS A WHOLE. SINCE THE WORLD BANK HAS HAD THE EXPERIENCE AND EXPERTISE IN DEALING WITH SUCH PROBLEMS IN OTHER COUNTRIES - WE HAVE COME TO CONCLUSION WORLD BANK COULD SERVE AS THE FOCAL POINT FOR THE CCG AS WELL. WE ALSO WISH TO SEE A GREATER INCREASE IN COOPERATION AMONG THE CARIBBEAN COUNTRIES THEMSELVES. IN ADDITION BECAUSE OF ECONOMICS OF SCALE IN SOME OF THE MINI-STATES IT IS ONLY THROUGH A REGIONAL APPROACH THAT DESIRABLE GOALS CAN BE ACHIEVED. AMBASSADOR TODMAN CONTINUED THAT ERIC WILLIAMS HAS SPOKEN TO MOST OF THE LEADERS OF THE

CARIBBEAN COUNTRIES AND THAT U.S. HAS SPOKEN TO THE CARIBBEAN AND EUROPEAN COUNTRIES AS WELL AS CANADA, BRAZIL AND MEXICO. AT THE DECEMBER MEETING THE WORLD BANK HOPES TO BRING TOGETHER ALL THE POTENTIAL DONORS AND RECIPIENTS TO DETERMINE WHAT THE CCG SHOULD DO AND HOW IT SHOULD TRY TO DO IT. CONFIDENTIAL

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THE DECEMBER MEETING WOULD PROVIDE A BASIS FOR A SECOND MEETING IN APRIL WHICH WOULD SERVE AS A FOCUS OF ACTION AND DECISION. AT THESE MEETINGS WE HOPE THE CARIBBEAN COUNTRIES WILL COME PREPARED WITH IDEAS AS TO HOW THEY WANT THE GROUP TO FUNCTION.

THE PRIME MINISTER ASKED THAT SHOULD THE CCG MATERIALIZE, WOULD THIS TAKE THE PLACE OF BILATERAL ASSISTANCE. TODMAN RESPONDED THAT WE DON'T SEE THE CCG AS A SUBSTITUTE FOR BILATERAL ASSISTANCE. SEVERAL OF THE OTHER EXPECTED PARTICIPANTS HAVE BILATERAL PROGRAMS WHICH WILL CONTINUE. WE HOPE THAT THE ULTIMATE OBJECTIVE WILL BE A GREATER TOTAL INFLOW OF FUNDS INTO THE REGION AND WHICH ARE WELL COORDINATED.

PRIME MINISTER WOMEWHAT CYNICALLY MENTIONED THAT PERHAPS THE CCG COULD OBTAIN SOME RESULTS BY 1980 BUT THAT THE IDEA WAS SO VAGUE THAT PERHAPS IT WOULD BE 1987 BEFORE REAL ACHIEVEMENTS ARE VISIBLE. TODMAN REPLIED THAT USG IS TALKING OF TANGIBLE ACHIEVEMENTS IN 1978. THE APRIL 1978 MEETING CAN TAKE DECISIONS WHICH WILL BE AFFECTING MULTILATERAL AND BILATERAL ECONOMIC ASSISTANCE TO THE AREA IN 1978 AND 1979. THE WORLD BANK STAFF WILL PULL TOGETHER SPECIFIC IDEAS PRESENTED IN THE DECEMBER MEETING FROM WHICH DECISIONS CAN BE TAKEN IN APRIL, 1978. THEREFORE AS EARLY AS LATE 1978 AND 1979 THE BUDGETS OF THE CARIBBEAN COUNTRIES COULD REFLECT THE INPUT FROM THE CCG.

THE PRIME MINISTER UPON ASKING WHAT SPECIFIC CCG REGIONAL PROJECT WOULD BE OF BENEFIT TO THE BAHAMAS, WILLIAM DOZIER REPLIED RESEARCH ON TOURISM IN THE CARIBBEAN AREA. THE PRIME MINISTER REPLIED IT WILL TAKE MORE THAN RESEARCH "TO GET FOOD ON THE TABLE OF THE BAHAMIAN'S DINNER TABLE."

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ACTION ARA-14

INFO OCT-01 ISO-00 ONY-00 SS-15 /030 W
-----082888 071949Z /40
P 061942Z DEC 77
FM AMEMBASSY NASSAU
TO SECSTATE WASHDC PRIORITY 135

C O N F I D E N T I A L SECTION 4 OF 5 NASSAU 1917

FOR ARA MR. JOHN KEANE

ARA/CAR MR. ASHLEY HEWITT

NO OTHER DISTRIBUTION

PART IV OF X PARTS

AMENDMENT OF TAX REFORM ACT OF 1976 - OFF SHORE CONVENTIONS

MINISTER ADDERLEY ENQUIRED ABOUT THE PROSPECTS OF AMENDING THE TAX REFORM ACT OF 1976. HE HOPED THAT THE BAHAMAS COULD ONCE AGAIN BE INCLUDED IN THE DEFINITION OF "NORTH AMERICA" AS THERE HAD BEEN A VERY REAL SLOW-DOWN IN CONVENTIONS COMING TO THE BAHAMAS.

AMBASSADOR TODMAN EXPRESSED HIS UNDERSTANDING OF THE PROBLEM AND STATED THAT MEXICO AND CANADA HAD ALSO EXPRESSED THEIR MISGIVINGS. HE ADDED THAT THERE WAS SYMPATHY IN CONGRESS TO AMEND THE SECTION. GIVEN THE FACT THAT THE HOUSE WAYS AND MEANS COMMITTEE WAS LOOKING AT THE WHOLE MATTER OF INCOME TAX DEDUCTIONS HE DID NOT SEE THIS ISSUE BEING SEPARATED NOR EARLY ACTION ON THE MATTER OF DEDUCTIONS AS A WHOLE.

MINISTER ADDERLEY ADDED THAT HE WISHED TO MAKE ANOTHER POINT. TOURISM TO THE BAHAMAS WAS A TWO WAY STREET AND WAS CONFIDENTIAL

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BENEFICIAL NOT ONLY TO THE BAHAMAS BUT THE US AS WELL. HE CLAIMED THAT EIGHTY-FIVE PERCENT OF ALL TOURISTS DOLLAR EXPENDITURES IN THE BAHAMAS ARE RETURNED TO THE U.S. FOR PURCHASES OF GOODS AND SERVICES. MORE AND MORE OF THESE TOURISTS WERE NOT AMERICAN WHICH MADE IT EVEN MORE BENEFICIAL TO THE U.S. HE ALSO POINTED OUT THAT THE BAHAMAS RANKS EIGHT IN THE NUMBER OF ITS CITIZENS VISITING THE U.S. EACH YEAR AND THAT THE BAHAMAS EXPENDITURES IN THE U.S., IF PUT ON A PER CAPITA BASIS, WOULD BE PERHAPS ONE OF THE HIGHEST IN THE WORLD. HE WENT ON TO SAY THAT WELL OVER ONE HALF OF THE ADULT BAHAMIAN POPULATION HAD PASSPORTS AND THAT THE MAJORITY OF THESE PASSPORTS WERE OBTAINED MERELY TO ACQUIRE U.S. VISAS. HE SAW THIS TREND CONTINUING TO OUR ECONOMIC BENEFIT, AND AGAIN MADE HIS POINT THAT INCREASED TOURISM TO THE BAHAMAS WOULD INCREASE BAHAMIAN PURCHASES IN THE U.S.

PART V OF X PARTS

BARTAD DISCONTINUANCE

MINISTER ADDERLEY NOTED THAT THE U.S. "WANTED TO QUIT

AT BARTAD EVEN THOUGH THE WORK WAS NOT COMPLETED." HE REGRETED THIS ACTION AND WOULD HAVE LIKED FOR US TO REMAIN.

AMBASSADOR TODMAN NOTED THAT WE HAD AGREED TO EXTEND OUR PARTICIPATION FOR ANOTHER YEAR.

IN RESPONSE TO MINISTER ADDERLEY'S COMMENT THAT NO NEW FUNDS WOULD BE EXPENDED AMBASSADOR TODMAN UNDERLINED THE FACT THAT UNSPENT BUT ALLOCATED FUNDS WOULD BE USED UP, AN ARRANGEMENT WHICH WAS NOT ALL THAT COMMON.

AMBASSADOR TODMAN STATED THAT AID HAD DEVELOPED THE CONFIDENTIAL

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PROJECT, THAT FIVE YEARS HAD SHOWN THAT IT WAS VIABLE AND USEFUL, AND THAT THE WHOLE CONCEPT OF AID INVOLVES THE PHASING OUT OF US PARTICIPATION. AMBASSADOR TODMAN POINTED OUT THAT IT WAS ONE THING TO GIVE A YOUNG MAN A FISH TO FEED HIM ONCE. IT WAS ANOTHER TO TEACH IM TO FISH WHICH WOULD ALLOW HIM TO EAT FOR THE REST OF HIS LIFETIME. IN RESPONSE TO MINISTER ADDERLEY'S COMMENT THAT THERE WAS ALSO THE QUESTION OF NEED FOR A POLE, HOOKS, BAIT, ETC., AMBASSADOR TODMAN REPEATED THAT THE BEST AID IS THAT WHICH LEADS TO SELF-SUFFICIENCY.

PART VI OF X PARTS

FISHERIES - ECONOMIC ZONE BOUNDARY DELIMITATION

NOTING AMBASSADOR CLINGAN'S VISIT IN NOVEMBER AND THEIR DISCUSSIONS AT THE TIME, MINISTER ADDERLEY STATED THAT HIS GOVERNMENT COULD NOT AGREE WITH THE LINES DRAWN FOR THE ENFORCEMENT ZONE OF OUR FISHERIES ACT, WHICH WENT INTO EFFECT LAST MARCH. HE NOTED TOO THAT AMBASSADOR CLINGAN HAD INDICATED AN INTEREST IN DISCUSSING NOT ONLY FISHERIES ZONES OVERLAP BUT OF FISHING IN EACH OTHERS ZONE. HE WAS AWARE OF NO COMMERCIAL SCALE FISHING BY FLORIDIANS IN THE ZONE CLAIMED BY THE BAHAMAS. FORIDIANS HAD FISHED FOR SPINEY LOBSTER UNTIL AUGUST 1975 WHEN IT BECAME ILLEGAL. HE INDICATED THAT WHILE HE WOULD "TALK FISHING" HE WANTED US TO KNOW THAT THERE WAS NO HOPE FOR ANY CHANGE OF THE BAHMIAN POSITION ON THE SPINEY LOBSTER.

HE ALSO STATED THAT IN HIS OPINION ANY LINES AGREED TO WITH REGARD TO FISHERIES ZONES MUST BE THE SAME AS THOSE PERTAINING TO THE RESOURCES OF THE CONTINENTAL SHELF.

MINISTER ADDERLEY VISIBLY DEMONSTRATED IRRITATION WHEN HE DISCUSSED THE DEPARTMENT OF INTERIORS' "TENDER FOR BIDS FOR THE BLAKE PLATEAU AREA IN OCTOBER." ACCORDING TO THE CONFIDENTIAL

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MINISTER THE GCOB HAD NO PROBLEM WITH THE DELIMITATION OF EQUADISTANCE. A PROBLEM DID ARISE HOWEVER WITH THE AREA NORTH OF GRAND BAHAMA AND ABACO ISLANDS. HE NOTED THAT HIS GOVERNMENT IN THE SPRING OF 1974 HAD SENT US A NOTE REQUESTING THAT WE BEGIN CONSULTATIONS ON AN OVERALL MEDIAN LINE. WE HAD, ACCORDING TO THE MINISTER, RESPONDED THAT THE TIME WAS NOT PROPITIOUS FOR CONSULTATIONS. THE MINISTER STATED THAT IT WAS HE WHO HAD PREVENTED HIS GOVERNMENT FROM DOING THEN WHAT INTERIOR HAD DONE UNILATERALLY IN OCTOBER AND THAT GIVEN OUR ACTION HIS GOVERNMENT TOO WOULD BE "CALLING FOR TENDERS" IN THE COMING WEEKS - NOT ONE OR TWO - BUT AS SOON AS POSSIBLE. HE HOPED THAT WE COULD UNDERSTAND THAT HE WAS LEFT NO OTHER CHOICE.

ACCORDING TO MINISTER ADDERLEY "FISHING MAY BE A PROBLEM, ESPECIALLY WITH THE FLORIDIANS BUT THE DELIMITATION OF ECONOMIC ZONES IS OF MORE VITAL IMPORTANCE."

AMBASSADOR TODMAN RESPONDED BY SAYING THAT THE DEPARTMENT OF INTERIOR'S ACTION DOES NOT CONSTITUTE A COUNDARY CLAIM, NOR DOES THE US GOVERNMENT ASSUME ANY LEGAL OBLIGATION THEREBY. HE WENT ON TO SAY THAT INTERIOR'S ACTION WAS ONLY THE FIRST STEP IN A PROCESS THAT COULD LAST TWO YEARS AND SHOULD NOT BE INTERPRETED AS A CLAIM. MINISTER ADDERLEY REPEATED THAT HIS GOVERNMENT WAS OBLIGED TO FOLLOW SUIT AND THAT TENDERS WOULD SOON BE ISSUED BY THE GCOB TO NO DOUBT THE SAME GROUPS WHO WOULD BE RESPONDING TO INTERIOR I.E. U.S. OIL COMPANIES. THERE WOULD BE OVERLAPPING CLAIMS AND HE FORSAW A PERIOD OF UNSPECIFIED LENGTH WHEN THERE WOULD BE NO AGREEMENT BETWEEN THE TWO GOVERNMENTS.

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CUBA

ASKED ABOUT THE STATE OF CUBAN-BAHAMAS BILATERAL RELATIONS, MINISTER ADDERLEY RESPONDED THAT THERE HAD BEEN ONLY MINIMAL CONTACT SINCE AUGUST OF 1975. ACCORDING TO ADDERLEY EVERY TIME WE WANTED TO TALK FISH THE CUBANS DID AS WELL. THEIR OFFER AT THAT TIME HAD BEEN LUDICROUS AND NOTHING HAD COME OF IT. MORE RECENTLY THERE HAD BEEN TALKS CONCERNING A CRUISE SERVICE OUT OF FREEPORT TO HAVANA AND TALKS OF US CHARTER FLIGHTS FROM THE BAHAMAS TO CUBA. AMBASSADOR TODMAN BRIEFLY OUTLINED PRESENT U.S. POLICY TOWARD CUBA FOR WHICH BOTH THE PRIME MINISTER AND MINISTER ADDERLEY EXPRESSED APPRECIATION. TOUCHING ON THE CUBAN PRESENCE IN AFRICA AND THE PROBLEM WITH RHODESIA AND SOUTH AFRICA, MINISTER ADDERLEY STATED THAT, IN HIS OPINION, ONLY FORCE COULD

CHANGE THE STATUS QUO.

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ACTION ARA-14

INFO OCT-01 ISO-00 ONY-00 SS-15 /030 W
-----082593 071922Z /40
P 061942Z DEC 77
FM AMEMBASSY NASSAU
TO SECSTATE WASHDC PRIORITY 136

C O N F I D E N T I A L SECTION 5 OF 5 NASSAU 1917

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ARA/CAR MR. ASHLEY HEWITT

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BELIZE

MINISTER ADDERLEY, "SPEAKING ON BEHALF OF HIS CARIBBEAN COLLEAGUES," EXPRESSED THE HOPE THAT WE WOULD GIVE ALL ASSISTANCE AND GOOD OFFICES TO RESOLVE THE BELIZE-GUATEMALA PROBLEMS.

AMBASSADOR TODMAN STATED THAT WE HAVE BEEN FAR MORE ACTIVE THAN ANYONE COULD HAVE THOUGHT AND THAT WE HAVE ATTEMPTED TO USE OUR INFLUENCE ON THE GUATEMALANS. HE CONTINUED THAT GUATEMALA HAD FIRST DEMANDED ALL OF BELIZE, THEN ONE HALF, THEN TWO-THIRDS AT THE MONKEY RIVER. THERE WAS NOW THE POSSIBILITY OF REACHING AGREEMENT BY THE CESSION OF THE AREA BELOW THE MOHO RIVER. WE FEEL THAT THE CURRENT GUATAMALAN PRESIDENT HAS THE AUTHORITY AND PRESTIGE TO CARRY OFF SUCH AN AGREEMENT, BUT IT MIGHT BE MORE DIFFICULT FOR HIS SUCCESSORS. THUS THE QUESTION NOW IS A TERRITORIAL CESSION WITH GUARANTEES, OR INDEPENDENCE NOW WITHOUT A CESSION AND THE STRONG LIKELIHOOD OF MILITARY ACTION BY GUATAMALANS. MINISTER
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ADDERLEY COMMENTED THAT PRICE HAD STATED TO HIM THAT HE WOULD NOT GIVE AN INCH. AMBASSADOR TODMAN INDICATED THAT AS OF TWO WEEKS AGO PRICE'S POSITION APPEARED TO HAVE BEEN MODIFIED.

PART IX OF X PARTS

THE ANNUAL CARIBBEAN CONFERENCE ON TRADE AND DEVELOPMENT

AMBASSADOR TODMAN SAID THAT THE USG IS TRYING TO INTEREST AMERICAN BUSINESS IN THE CARIBBEAN AREA. THE DEPARTMENT OF STATE AND THE STATE OF FLORIDA SPONSORED SUCH A CONFERENCE IN JUNE, 1977 IN TAMPA. A SECOND CONFERENCE WILL BE HELD IN MIAMI JANUARY 18-21, 1978 FOCUSING ON TOURISM, TRADE, AND DEVELOPMENT. ASSISTANT SECRETARY TODMAN REMARKED THAT HE HOPED THE PRIME MINISTER WOULD BE ABLE TO PARTICIPATE AT THE MEETING FRIDAY, JANUARY 20.

THE PRIME MINISTER REMARKED THAT JANUARY 20 WAS THE SAME DAY HE WAS SUPPOSED TO BE IN TORONTO FOR PARENTS WEEKEND FOR HIS SON. THE PRIME MINISTER REMARKED THAT HE STILL HAS THE MATTER UNDER CONSIDERATION BUT THAT HE WAS NOT SURE HE WOULD BE ABLE TO MAKE IT.

THE PRIME MINISTER CONTINUED THAT HE HAS HAD GREAT DIFFICULTY IN TALKING TO AMERICAN BUSINESSMEN BECAUSE THEY DO NOT SHARE THE EUROPEAN PSYCHOLOGY IN DEALING WITH FOREIGNERS. SPECIFICALLY, THE PRIME MINISTER NOTED THAT BRITISH, GERMAN, AND FRENCH BUSINESSMEN WITH WHOM HE HAD TALKED WERE QUITE WILLING TO FORM "JOINT VENTURES" WITH BAHAMIANS BUT THAT AMERICANS WANTED 100 PERCENT OF THE PIE. THIS SORT OF ATTITUDE, STRESSED THE PM, BLOCKED THE BAHAMIAN GOVERNMENT'S DEALING WITH AMERICANS.

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AMBASSADOR TODMAN REMARKED THAT ALTHOUGH THIS MAY HAVE BEEN THE ATTITUDE OF SOME AMERICAN BUSINESSMEN 20 YEARS AGO, MOST AMERICAN BUSINESSMEN WITH WHOM HE HAD TALKED WERE QUITE WILLING TO GO INTO JOINT VENTURES IN THE CARIBBEAN AND ALSO SOUTH AMERICA.

PART X OF X PARTS

AIR ROUTE APPLICATIONS TO THE BAHAMAS

MINISTER OF EXTERNAL AFFAIRS PAUL ADDERLEY SAID THAT ON OCTOBER 17 PAN AMERICAN AIRWAYS HAD REQUESTED AN EXTENSION OF ITS SUSPENSION AUTHORITY TO THE BAHAMAS (WHICH EXPIRED DECEMBER 77) FOR A PERIOD UP TO 60 DAYS FOLLOWING THE END OF CAB CARIBBEAN AIR SERVICE INVESTIGATIONS. THE CAB GRANTED PANAM ITS REQUEST IN LATE NOVEMBER. ADDERLEY EMPHASIZED THAT IT IS IN BAHAMAS INTEREST TO HAVE TWO LICENSED CARRIERS OPERATING OUT OF U.S. NORTHEAST CORRIDOR. PRESENTLY THE BAHAMAS DOES NOT HAVE COMPETITIVE SERVICE BECAUSE ALTHOUGH THERE ARE TWO LICENSED AIRLINES TO OPERATE THESE ROUTES, ONLY ONE IS OPERATING - DELTA. ADDERLEY NOTED THAT PANAM HAD INDICATED THAT IT HAS NO INTENTION OF RENEWING ITS OPERATIONS TO THE BAHAMAS, THAT PANAM AND DELTA WAS AGAINST AMERICAN AIRLINES APPLICATION, AND THAT CONTINUED NON-USE OF PANAM

ROUTES IN EFFECT WAS EMBARGO AGAINST BAHAMAS WITH CONSEQUENT ADVERSE EFFECTS ON BAHAMAS TOURIST ECONOMY.

AMBASSADOR SCHWARTZ NOTED THAT AMBASSADOR JOHNSON AND MR. MCDERMITT, THE BAHAMAS COUNSEL IN WASHINGTON BEFORE THE CAB HAD THOROUGHLY DISCUSSED THE STATES OF THESE APPLICATIONS AT A MEETING WITH HIM AT THE EMBASSY IN OCTOBER.

AMBASSADOR TODMAN NOTED THAT DEPUTY SECRETARY OF STATE CHRISTOPHER HAD WRITTEN A LETTER TO THE CHAIRMAN OF THE CAB ASKING THAT APPLICATIONS FOR AIR SERVICE TO THE BAHAMAS BE SEPARATED FROM THE CARIBBEAN AIR SERVICE INVESTIGATION. THIS CONFIDENTIAL

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LETTER AND THE RESPONSE OF THE CAB CHAIRMAN HAS BEEN MADE PART OF THE PUBLIC RECORD. TODMAN NOTED THAT WE SEE THE BAHAMAS PROBLEM VERY CLEARLY BUT THAT IT IS DIFFICULT FOR AN INDEPENDENT REGULATORY BODY OF USG TO VIEW THE PROBLEM WITH THE SAME URGENCY AND ACT ACCORDINGLY. HE NOTED THAT WE HAD INDICATIONS THAT THE EARLIEST THE CAB WOULD CONSIDER THE BAHAMAS AIR ROUTES REQUEST WOULD BE IN JANUARY. SCHWARTZ

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Message Attributes

Automatic Decaptioning: X
Capture Date: 22-Sep-1999 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRIME MINISTER, AMBASSADORS, MEETINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 06-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977NASSAU01917
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Expiration:
Film Number: D770454-1457
Format: TEL
From: NASSAU
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t197712111/baaaeuxq.tel
Line Count: 784
Litigation Code IDs:
Litigation Codes:
Litigation History:
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Message ID: d3f75dfc-c188-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 15
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 01-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 120166
Secure: OPEN
Status: NATIVE
Subject: MEMORANDUM OF CONVERSATION DRAFT
TAGS: MARR, PGOV, ECON, EFIN, EAID, EFIS, EGEN, BF
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/d3f75dfc-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009